

KANSAS PUBLIC WATER SUPPLY CAPACITY DEVELOPMENT PROGRAM

Status Report

For
Fiscal Year 2006
EPA Capitalization Grant

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Division of Environment
Bureau of Water
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INTRODUCTION

This report is provided as required by Section 1420 of the 1996 Amendments to the Safe Drinking Water Act and to comply with EPA drinking water revolving loan fund Capitalization Grant requirements. Information is provided on activities conducted to implement the Kansas Capacity Development Assurance Program during State Fiscal Year 2004, for the 2005 grant.

The Kansas Capacity Development Assurance Program consists of two components: 1) New System Capacity Assurance reviews and permitting; and 2) Implementation of the Capacity Development Strategy for Existing Public Water Supply Systems. This report is organized by these two components. A copy of the Kansas Capacity Development Strategy and Report of Findings is available on the KDHE webpage: <http://www.kdhe.state.ks.us/pws/capdev.html>.

NEW SYSTEM REVIEWS

During FY 2005, there were no permit applications for new systems submitted to the Kansas Department of Health and Environment (KDHE) for review. New system permit reviews were conducted for applications received in FY 2003 and FY 2004. These systems and the status of the permit reviews are listed in Table 1.

The New System Permit Application consists of two parts. Part 1 is the engineering and design component, which is reviewed and approved by the Engineering and Permitting Unit. Upon approval of Part 1 and the budget section of Part 2, a conditional permit or a letter of approval is issued authorizing construction of the public water supply system. Part 2 of the permit application is the technical, financial and managerial capacity assurance component. Before the system begins operation, the elements in Part 2 of the application must be completed and approved. A final inspection must also be conducted and approval to initiate operations must be granted by KDHE. There were no changes to KDHE's statutory authority or new system permitting process during FY 2005.

Table 1 – New System Permit Review Status

Public Water Supply System	Status
Public Wholesale Water Supply Dist. #13 (FY 2003)	Under Review, Permit Not Issued
Public Wholesale Water Supply Dist. #20 (FY 2004)	Under Review, Permit Not Issued
Public Wholesale Water Supply Dist. #23 (FY 2004)	Under Review, Permit Not Issued

The Capacity Assurance Strategy for new systems includes a review and evaluation component that KDHE uses to determine if the review and permitting process is effective. Any new system appearing on either a significant non-compliance (SNC) listing, or a pre-SNC listing, will receive special review to ascertain why the new non-compliance is occurring. KDHE will evaluate whether the system's appearance on a SNC listing is because of any short-coming in the new system permitting process or whether the appearance is due to other reasons, such as not following a proposed budget or providing proper training for the system's certified operator. In accordance with the new EPA reporting criteria, KDHE evaluates compliance data for new systems permitted in the previous 3 fiscal years. Table 2 lists the compliance data for systems permitted in FY03 and FY04.

Table 2 – New System Compliance History

System	Permitted SFY	Violations	Corrective Actions
Lake Wabaunsee Improvement Dist.	FY 03	None	N/A
McPherson Co RWD #6	FY 04	None	N/A
Wheatland Electric (Garden City)	FY 04	None	N/A

CAPACITY DEVELOPMENT STRATEGY FOR EXISTING SYSTEMS**Strategy Background**

The Kansas Capacity Development Workgroup developed 15 recommendations for KDHE to consider in implementing the Kansas Capacity Development Strategy for Existing Systems (see Report of Findings). KDHE selected eight of these recommendations for the initial implementation of its strategy. These eight recommendations were considered to have the greatest potential to generate significant capacity gains in a relatively short time. Since EPA approval of the Strategy in September 2000, KDHE's primary focus has been on implementation of these initial 8 recommendations. Table 3 summarizes the implementation status of the eight initial recommendations.

Table 3 – Initial 8 Strategy Recommendations

Recommendation	Implementation Status
TFM Surveys for all community water systems	Implemented – conducted every 3 years
Require water use reports from all systems	Implemented – required annually By DWR
Develop a PWS business planning guidebook	Not Implemented
Develop PWS finance training program	Implemented – KanCap/EFC Financial Tools
Require all systems to install customer meters	Under Development – deferred
Expand KDHE “Survival Guides” for PWS systems	Partially Implemented – TCR, CCR, DBPR1, LT1ESWTR, IESWTR, FBRR, PNR http://www.kdhe.state.ks.us/pws/survival.html
Develop facilities management plan guidelines	Not Implemented
Develop board/council member education program	Implemented – KanCap

The remaining seven recommendations were retained for implementation as need and resources allowed. These 7 recommendations are summarized in Table 4. Some of these 7 have been implemented through incorporation into one of the initial 8 and some have been implemented as need and/or opportunity arose.

Table 4 – Remaining 7 Strategy Recommendations

Recommendation	Implementation Status
Kansas Lawmakers information packets	Not Implemented
“As Built” mapping assistance program	Partially Implemented – PWS GIS Database
Encourage partnerships among PWS systems	Implemented – Planning Grant Program
Develop drinking water public information program	Not Implemented
Develop program to help select engineers/consultants	Implemented – part of KanCap
Develop newsletter – KDHE spending, compliance, etc.	Not Implemented
Third-party assessment of KDHE resource needs	Not Implemented

In addition to state agency implementation activities, 3rd party technical assistance providers help public water supply systems address capacity development challenges. KDHE contracts with the Kansas Rural Water Association (KRWA) using the Small System Technical

Assistance 2% Set Aside to provide assistance to small systems to help achieve Safe Drinking Water Act compliance, develop and maintain proper operation and maintenance procedures, develop appropriate financial and management procedures and provide technical assistance to systems using surface water as their source of supply. The goal of technical assistance provided under this contract is to help prevent Safe Drinking Water Act compliance problems before they occur. It is anticipated that this contract will be renewed with KRWA annually. Additionally, KDHE contracts with the Kansas Rural Water Finance Authority (KRWFA) to provide on-site financial planning assistance including rate setting, budget review and capital improvement planning. This contract will also be renewed annually.

Other technical assistance providers, including the Midwest Assistance Program (MAP), League of Kansas Municipalities (LKM), and Kansas Section American Water Works Association (KsAWWA) provide a variety of assistance to public water suppliers as part of their ongoing activities.

Fiscal Year 2004 Implementation Activities

KanCap

Implementation activities for FY 2004 focused on completing development of the board/council continuing education program started in FY 2003 under a contract with KRWA. This program, called KanCap, will accommodate a variety of learning preferences ranging from formal classroom training to inter-active computer self-study. This is accomplished through use of an inter-active CD with an accompanying manual. As part of the contract, KRWA will train TA providers on classroom techniques using the CD and manual. It is expected that after the training, TA providers will use or incorporate KanCap in their existing training programs. KDHE encourages participation in the program by providing incentives for board and council member participation. These incentives include additional credit in the ranking system for SRF loans and 3 levels of certification based on the number participants from an individual water system. A promotional brochure that describes KanCap in greater detail is enclosed. KDHE will use this brochure as a promotional tool to encourage water system board/council member participation in the program. This brochure will be sent to all water systems in Kansas. KDHE also promoted KanCap through demonstrations at annual meetings and conferences sponsored by KRWA and the LKM. These demonstrations were very well received and generated significant interest from board and council members. KanCap is expected to be completed and ready for delivery to KDHE by October 31, 2004.

Regional PWS Planning Grants

During FY 2004, KDHE initiated a new program designed to encourage partnerships and cooperation among public water suppliers. The Regional PWS Planning Grant Program provides 50% matching funding for preliminary engineering studies that evaluate regional solutions to address public water supply system needs and challenges. KDHE uses a portion of the 1452(k) capitalization grant set-aside to provide up to \$12,500.00 to match funding provided by the project sponsors for these studies. Two applications were received and approved during FY 2004. These projects will be funded and the studies completed during FY 2005. These 2 studies have the potential to benefit a total of 12 public water supply systems (see table 5). KDHE anticipates providing cost-share funding for approximately 4 regional PWS studies per year. The planning grant application and program instructions are available on KDHE's capacity development webpage: <http://www.kdhe.state.ks.us/pws/capdev.html>.

Table 5 – Regional PWS Planning Grant Projects

Project Sponsors	Systems Benefiting
Hillsboro-Marion Water Cooperative	Hillsboro, Marion, Peabody, Marion Water Improvement Dist. #2
Elk River PWWSD #24 (Elk City, Howard, Longton, Severy, & Moline)	Elk City, Howard, Longton, Moline, Severy, EK Co RWD #1, MG Co RWDs #9 & #13

TFM Reviews

In addition to the financial review conducted by KRWFA for all SRF loans, KDHE uses the TFM survey to ensure that all loan recipients demonstrate TFM capacity. KDHE can require water systems to correct any deficiencies identified on the survey as a condition of the loan. KDHE also conducts capacity assessments for some systems under enforcement actions. KDHE started reviews in conjunction with enforcement in FY 2004. Capacity reviews for 3 community water systems under Nitrate Consent Orders were initiated in FY 2004 and will be completed in FY 2005.

Financial Planning Assistance

KDHE uses two approaches to provide financial planning assistance to PWS systems under the Capacity Development Program. The first approach is directed toward systems that are under an enforcement action. Under the contract with KRWFA discussed in the Background Section, KDHE provides financial planning assistance to systems that are required to have a TFM review as part of the enforcement action. This assistance includes a complete review of the system's budgets, audits, rates and financial planning procedures. A report is provided to the system with recommendations that will help the system achieve and maintain financial capacity, including a rate analysis that illustrates the rates required to maintain long-term financial health and keep the system in compliance.

The second approach for financial planning assistance is available to all water systems in Kansas and is under development. KDHE has contracted with the Environmental Finance Center (EFC) at Boise State University to develop a Kansas specific rate-setting and financial planning tool that will be made available via the internet to all Kansas water systems. Under the contract, the EFC is providing a statewide license for CapFinance (asset inventory and financial analysis), included with this license purchase is Rate Check-up (rate analysis). The EFC will tailor Rate Check-up to meet Kansas specific rate setting and analysis needs. As part of the contract the EFC is developing a website that will enable water systems to log on and download the software tools. In addition, the EFC will conduct "train-the-trainer" sessions for technical assistance providers that will be providing financial planning help to Kansas water systems.

Other Associated Activities

KDHE recognizes that other state agencies and non-governmental organizations play an important role in helping water systems achieve and maintain TFM capacity. Two that KDHE frequently partner with are the Kansas Water Office (KWO) and KRWA. During FY 2004 KDHE provided funding in cooperation with the KWO and KRWA to develop a Geographic Information System Public Water Supply Database. This database will include service area boundaries, location of facilities (treatment plants, interconnects, storage, intakes, and pumping stations) and main distribution system pipelines. The database is tentatively scheduled to be completed by June 2005.

KDHE also serves on two technical advisory committees (TAC) convened by the KWO. The first committee is developing regional public water supply strategies. When completed KDHE will use these strategies as guidance for the SRF and Regional Public Water Supply Planning Grant programs. The second committee developed a new state policy that, if approved by the Kansas Legislature and implemented, will provide financial and technical assistance to water systems for the purchase of water rights in areas closed to new appropriations. As the policy is currently written, KDHE will administer this new program.

KDHE continues the process of prioritizing systems identified by the Capacity Development Survey as needing assistance. The survey scores are used in conjunction with compliance data, drought vulnerable data and other information to prioritize systems in need. The prioritization process continues to evolve as the ability to use SDWIS/State develops and improves.

During FY 2004, KRWA provided technical assistance to 259 small public water supply systems under the 2% Small System Technical Assistance Set Aside contract discussed in the Strategy Background Section. Assistance provided under this contract addressed many technical issues including surface water treatment, well testing, new operator training, nitrate compliance and record keeping. Technical assistance was also provided to address managerial issues such as personnel policies and line extension and new service connection policies. It is anticipated that KDHE will use the priority list discussed above to direct KRWA's technical assistance efforts under the 2% small systems contract.

FUTURE ACTIVITIES

The implementation activities scheduled for FY 2005 will focus on 4 areas: 1) conduct 2nd Triennial TFM Survey; 2) prepare the Governor's Report; 3) promote and deliver KanCap and the EFC financial planning tools to boards and councils; and 4) initiate the development of a Kansas Asset Management Program. The Asset Management Program is the only new initiative KDHE expects to undertake during FY 2005. Other ongoing activities include TFM reviews related to enforcement actions and SRF applications, new system application review and approval, and coordination on public water supply policy with the KWO. KDHE will also continue to award Regional Public Water Supply Planning grants as applications are received and approved.